



## Italy: Mobile Payment Industry

Nicoletta Postiglione  
Jackie Bosco (Intern)  
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### - Summary

Mobile Payment is the new frontier in European mobile technology, offering consumers flexibility, portability and convenience. Mobile Remote Payment and Mobile Proximity Payment are the two forms that currently exist in the market, with proximity payment and Near Field Communication (NFC) technologies being the primary avenue for future growth.

The Polytechnic University of Milano recently reported that a third of Italians have a smartphone and are ready to utilize it to make purchases. Italy already has one of the necessary infrastructure components in place with a higher level of mobile phone penetration than other European countries. In their Italy Mobile Payment Market Forecast, the IE Market Research Corp. predicts that gross transactions of mobile payments will reach \$38 billion by 2016. With the right partnerships and marketing efforts, these figures demonstrate that the Italian telecommunications market is ready to adopt mobile payments and change the way consumers and merchants interact.

### Trade Promotion Opportunity:

The U.S. Commercial Service in Milan is coordinating the launch of a **Platinum Key Service for U.S. Mobile Technologies SMEs**. The program offers U.S. companies unique exposure and access to many of the most important mobile network operators in 14 European countries and Israel. Our Platinum Key Service is an additional tool and rare opportunity to guarantee that American products/services are seen by decision makers within the most important mobile network operators in Europe (See "Trade Promotion Opportunities" section for more details).

### - Market Demand

The Italian market for telecommunications equipment and services is the third largest in Europe, and one of the most advanced. Mobile phone diffusion in Italy is among the highest in the world, with 91 million active SIM cards (with multiple-SIM ownership) and over 46.5 million users, three quarters of the total Italian population. Italy is also one of the top countries in Europe for the number of smartphone owners, who total 24 million and are estimated to become 30 million by the end of 2012.

Notwithstanding these numbers, not all Italian users would necessarily be open to the idea of Mobile Payment. According to the MasterCard Mobile Payments Readiness Index, Italy has a fairly low score of 25.5 (with a world index average at 33.2) based on the following factors: Consumer Readiness, Environment, Financial Services, Infrastructure, Mobile Commerce Clusters, and Regulation. One of Italy's main weaknesses is Consumer Readiness, with only about 18% of Italians currently owning a payment card. Using cash is still the traditional mindset in Italy and security is still a major concern for Italian users. Nonetheless, mobile commerce is growing constantly, thanks to the increasing number of mobile surfers who utilize the latest generation smartphones and tablets and take advantage of mobile surfing flat tariffs. It is estimated that in 2011 the mobile commerce market was worth \$112 million (+210 percent over 2010), and was mostly utilized for online bids and flights/hotel reservations/changes.

The key to Mobile Payment success is to initially target specific groups who may see the service as fulfilling a need. For example, the affluent, the educated, and young people between the ages of 18-24. These groups tend to be already comfortable using technology in new and innovative ways. The key here

would be to stress the time-saving and convenience benefits to these consumers who typically live a faster pace lifestyle than other Italian consumers. Another target market is comprised of underbanked and unbanked consumers. Mobile payments can be the key to empower these types of consumers to have greater access to financial services in a simpler way.

Although the use of Mobile Payment is not well diffused in Italy, there is a high satisfaction rate for those who currently use the technology and many show a strong interest in using it in other contexts. Merchants are very interested in adopting the technology but are wary of the initial investment and the current low number of users. If required to pay for the actual equipment themselves, they would require an analysis of time of return on investment. The key here is to market to merchants the high number of business sectors in which Mobile Payment solutions can improve. Benefits to merchants include process efficiency, reduction of costs related to sales commissions, and attracting more customers by providing them an additional payment method. With gross transaction value of mobile payments expected to reach \$38 billion in Italy by 2016, merchants who jump on board now will be prepared to handle the volume of transactions coming in the future (IE Market Research Corp).

The European Commission recently published a report about the importance of electronic payment as EU citizens and businesses become increasingly active outside their country of origin, especially with the end goal of promoting a more integrated market in the Euro zone. They believe that the standards and rules of the Single Euro Payments Area (SEPA), which states that there should be no distinction between cross-border electronic retail payments, should also apply to e-commerce mobile payment. According to estimates by Gartner Group, there were 7.1 million mobile payment users in Western Europe in 2010. Recent studies suggest that mobile payment will grow rapidly in Europe in the coming years, reaching a projected value of \$350 billion in 2014. Mobile payment growth will become more of a reality in Italy as the EU continues to promote the standardization of payment technologies, security, inter-operability, and the cooperation between market participants.

#### - Market Data

Italy has four major telecom operators that provide mobile phone service to Italian consumers.

Mobile Network Operators	Approx. # of mobile users
Telecom Italia (TIM)	31.7 million
Vodafone	30 million
Wind	20.8 million
H3G	9.2 million

There also exists a number of smaller companies that operate as Mobile Virtual Network Operators (MVNO), reselling wireless communications services to their customers by utilizing the radio spectrum or wireless network infrastructure of mobile network operators. They are quite successful in specific market niches and include Poste Mobile (which has an agreement with Vodafone Italy), BT Mobile (Vodafone), DigiTel Italia (H3G), Fastweb (H3G), Noverca/Acotel (TIM), and Tiscali Mobile (TIM).

The role of telecom operators is to promote inter-industry cooperation by creating partnerships with financial platforms, increasing circulation of NFC enabled phones, and marketing the idea of Mobile Payment as an added benefit of buying smartphone service from them.

The Mobile Payment services that currently do exist in Italy are numerous and highly fragmented. None of these services have reached a significant level of diffusion, often appearing as pilot programs and then

disappearing. The reason for their limited success seems to be that single players do not have sufficient reach and are unlikely to achieve critical mass.

Some successful experiences include an agreement in 2010 between PosteMobile and the Rome public transport authority (ATAC) where users can link their PosteMobile SIM card to their BancoPosta account, checking account, or a Postepay prepaid card. After the ticket has been purchased, the customer will receive an SMS with the code of the ticket purchased, date and hour of operation and the period of validity for the ticket. The Florence Transit Authority has also recently launched a mobile remote payment program, in partnership with Ericsson and mobile operators, allowing travelers to pay for city transport tickets via SMS, (being charged directly to their phone bill with no registration necessary). In March 2012, Banca Intesa Sanpaolo also launched a program through a different MVNO where they provided NFC-enabled Samsung mobile devices to 600 employees and customers, covering more than 3,000 points of sale in Milan and Turin.

### **- Market Issues & Obstacles**

There are some challenges ahead for Mobile Payment in Italy, especially the competition with existing payment methods and a low consumer sentiment. In 2011, MasterCard reported that only 4% of Italian consumers were willing to use mobile payments at the point of sale. The challenge is how to convey the added-value of using Mobile Payment to consumers and merchants. People who are not aware that mobile payment exists will have no incentive to use it. Consumer education and marketing efforts are being focused to accelerate the adoption of Mobile Payment. Such efforts also address security concerns such as identity theft, loss of the mobile device, fraud, and cybercrime, which seem to be a major concern among smartphone users who are hesitant to use Mobile Payment. Marketing efforts that explain the technology will add credibility to payment security, as well the backing of a major financial institution such as MasterCard or Visa who already provide levels of protection for consumers.

The second obstacle is the number of Points of Sale and the availability of merchants willing to offer mobile payment as an option. The merchant must cover the cost for a plug-in peripheral reader or a fully integrated system. Even with the additional cost of this equipment, there are many benefits to communicate to potential merchants on how they will receive a return on their investment. It is faster than cash and traditional magnetic stripe cards, allowing the merchant to serve more customers in less time. Customers spend more money per transaction when they are not limited to cash on hand, and fewer cash transactions means less cash handled by employees resulting in less human error. Improved speed and satisfaction will promote customer loyalty and the added convenience differentiates the merchant from its competition. Above all, offering Mobile Payment as an option will increase the volume of sales and the total transaction amount.

The third obstacle is the availability of appropriate devices on the consumer end. There are about 50 NFC enabled devices currently for sale on the market globally, and shipments of such devices reported sales of 30 million units in 2011 alone (NFC World). However, it is unlikely that consumers will be willing to pay a premium for NFC mobile devices, so the additional cost will need to be absorbed by manufacturers or operators. As more and more Italian operators are offering service plans with contracts instead of the traditional pay as you go, the cost of a smartphone has already been calculated into the monthly service cost (more common in the United States). The good news is that most operators and handset manufacturers have announced NFC technology as a standard in all their new smartphones being released in 2012. An alternative to lessen the time lag between older phones and new NFC enabled phones is through NFC bridging technologies such as MicroSD cards with NFC enabled chips that can be placed inside any smartphone, or stickers with NFC chips that can be printed on self-adhesive labels placed on back panel of a mobile device. Along with the availability of NFC enabled phones, delays in defining technical standards (Single Wire Protocol) have held back market growth in the past, becoming a tangled web of hardware and software certification standards. These technical difficulties have been resolved with the release of new phone models in the past two years as the players involved push for a single platform.

## - Best Prospects

Before Italy can seriously adopt Mobile Payment technology in a big way, merchants and consumers need the right equipment. Since phone manufacturers are doing their part by producing more NFC-enabled phones, merchants will have to begin installing NFC readers at their check-out terminals in order for Italy to be ready for Mobile Payment in the next few years. Technological compatibility will be the key when it comes to merchant equipment as to promote a single platform system, even if there are many players and competitors involved.

Given the predominant presence of small and medium-sized firms in Italy, many of which are small family run shops and boutique style stores, it is unlikely that these kinds of businesses will be the first to offer mobile payment services given their size and personal way of doing business. Transactions in Italy tend to have an emphasis on personal relationships where consumers and the salesperson interact on some level. The most promising application for the service will be in sectors where consumers will appreciate the convenience and speed of Mobile Payments. These purchases tend to be last minute in nature or time sensitive situations. The sector with the most promise is transportation (trains, urban transportation-subway, tram, bus, parking meters, rent-a-bike, taxi rides). NFC readers can easily be placed at ticket counters at stations, electronic ticket machines, in the back of taxis, and directly at bus entrances. In a study conducted by the Polytechnic University of Milano, 65% of respondents said they were interested in mobile ticketing, and they are projecting the market to be worth \$317 million by 2015. Other problem areas with check-out congestion in Italy are grocery stores, gas stations, and cafes where coffee, snacks, and lunch are served.

Another promising prospect for Mobile Payment in Italy is Proximity Marketing where wireless advertising content is generated based on a consumer's physical location. This kind of localized marketing would work well in Italy for small and medium-sized merchants who already customize their goods/services on some level to appeal to the consumer at the regional level. Mobile Payment and Proximity Marketing go hand-in-hand as the up and coming trends in mobile communications. In the future, merchants who offer Mobile Payment can further promote their product/service through proximity marketing, even offering further perks for consumers who are attracted to the store because of a mobile marketing message and then pay with mobile payment.

An added benefit and marketing technique for Mobile Payment is utilizing it to make keeping track of other items easier, such as gift cards, loyalty programs, coupons and promotions. Giving someone a birthday gift can be as easy as sending a text message to another phone. By developing mobile software applications that can carry a dollar amount wirelessly, the recipient can receive their gift right on their phone and spend the money where they wish or at predetermined location by the giver. Merchants can connect their loyalty programs with mobile payment in order to collect valuable marketing data about consumer purchases while helping the consumer earn points and rewards for patronizing the same stores (it's also less cards for the consumer to carry). From a money saving perspective, Mobile Payment can potentially save thrifty consumers money by carrying all their coupons around electronically without the need to actively search for them in newspapers or online.

The solution to fast track Mobile Payment growth is forming connections between merchants, financial institutions, telecom operators, and end-users, and prospects in Italy are favorable.

## - Trade Promotion Opportunities:

-- **Platinum Key Service for U.S. Mobile Technologies SMEs:** The U.S. Commercial Service offers your company unique exposure and access to 23 of the most important mobile network operators in 14 European countries and Israel. Commercial Specialists have developed relationships with Strategy Directors, Innovation Directors, and Technology Managers in who are in charge of scouting new U.S. products and technologies. These mobile operators have agreed to receive and review standardized proposals for new and innovative U.S. mobile products and technologies via our CS offices in these countries. All participating U.S. clients will benefit from additional, targeted marketing efforts to these and

potentially more mobile operators – and other potential buyers prior to the next Mobile World Congress, February 25-28, 2013 in Barcelona.

For information on the Platinum Key Service:

[http://export.gov/industry/infocomm/eg\\_main\\_050720.asp](http://export.gov/industry/infocomm/eg_main_050720.asp)

Or contact:

**Sandra Campbell**, Director, CS Tampa Bay: 727-893-3738  
[sandra.campbell@trade.gov](mailto:sandra.campbell@trade.gov)

**Melissa Branzburg**, International Trade Specialist, CS Boston, 617-565-4309  
[MBranzburg@trade.gov](mailto:MBranzburg@trade.gov)

**Nicoletta Postiglione**, Commercial Specialist, CS Milan, 011-39-02-626-88522  
[nicoletta.postiglione@trade.gov](mailto:nicoletta.postiglione@trade.gov)

**-- Mobile World Congress 2013:**

*February 25-28, 2013, Barcelona, Spain*

The U.S. Commercial Service will support U.S. exhibitors at the show through a range of free and fee-based services (market research, matchmaking and more). Mobile World Congress is an international showcase of mobile technologies featuring over 1,500 exhibitors and attracting more than 67,000 visitors. Industry leaders gather to address key developments in the mobile market. Promotional opportunities include showcasing cutting-edge products and services to top industry leaders, maximizing ROI by marketing to highly targeted audience(s), driving revenue and expanding the sales pipeline by meeting with new and existing clients.

For more information please visit: <http://www.mobileworldcongress.com/2013-preview.html>

**- Resources & Contacts**

**Assinform**- (Italian ICT companies Association)  
[http://www.assinform.it/english\\_version/profilo\\_eng.htm](http://www.assinform.it/english_version/profilo_eng.htm)

**Confindustria Digitale**- (organization representing ICT industries in Italy)  
<http://www.confindustriadigitale.it/>

**ASSTEL**- (trade organization representing Telecom operators as part of Confindustria)  
<http://www.asstel.it/>

**Netcomm** - Italian E-Commerce Consortium  
<http://www.consorzionetcomm.it/>

**- For More Information**

**Commercial Specialist:** Nicoletta Postiglione  
U.S. Commercial Service Milan, Italy  
[Nicoletta.postiglione@trade.gov](mailto:Nicoletta.postiglione@trade.gov)  
Phone: +39-02-626-88-522; Fax: +39-02-659-6561  
<http://export.gov/italy>

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